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UNCLAS SECTION 01 OF 02 CAIRO 002055

SENSITIVE
SIPDIS

STATE FOR NEA/ELA CANEDO
ENERGY FOR ERICKSON AND SPERLE

E.O. 12958: N/A
TAGS: [ENRG](#) [ECON](#) [EG](#)
SUBJECT: ELECTRICITY DEMAND OVERWHELMS SUPPLY, LEADS TO
POWER CUTS

REF: A. CAIRO 1146
[1](#)B. CAIRO 1359
[1](#)C. CAIRO 1855

Sensitive but unclassified. Please handle accordingly.

[1](#)1. (SBU) SUMMARY: The independent press reports that power cuts and brownouts have made life uncomfortable in villages and towns across the Delta region since early August and railed against the government for failing to meet electricity demand outside of major cities. Minister of Electricity and Energy Hassan Younes admitted that the government did not expect the rapid growth in consumption since late summer and confirmed that several short power interruptions had occurred across several governorates. Embassy contacts note that the power cuts were organized by the Ministry of Electricity in advance but not publicized. END SUMMARY.

DEMAND HIGHER THAN EXPECTED

[1](#)2. (SBU) Minister of Electricity and Energy Hassan Younes admitted September 14 that interruptions in electricity supply had affected several governorates across the Delta. Younes said that unusually warm weather had pushed consumption of electricity up by 12% year-on-year over August and September 2007, significantly higher than energy analysts' prediction of 6-7% growth and said that the government had not anticipated this.

[1](#)3. (SBU) Mohamed Omran, first undersecretary at the Ministry of Electricity, told econoff that the ministry was addressing the gap between consumption and supply by cutting electricity to rural governorates outside of Cairo on a rotating basis, for two hours at a time, in order to fully meet demand in major cities and industrial areas. He stated that press reports of day-long power cuts affecting hundreds of thousands in Gharbia, Suez and Damietta governorates were exaggerated but did not say whether the Ministry would announce power cuts in advance to affected communities. The embassy's contacts in Gharbia confirmed that electricity supply was only interrupted for several hours and said this was due to an accident involving the main transformer in the area.

MEETING FUTURE GROWTH

[1](#)4. (SBU) The general manager of PGESCO, a major player in power plant construction and electricity generation in Egypt, which is partly owned by Bechtel, told econoff that electricity producers need 65 million British Thermal Units (MMBTU) per day of natural gas to generate enough power to

meet current demand. PGESCO estimates that demand will continue to grow by at least 6.5% a year for the next five years and electricity generation will require approximately 93 MMBTU by 2012. PGESCO said that the state-owned Egyptian Gas Holding Company (EGAS) has not provided electricity producers with enough natural gas to meet their requirements for the last six months. EGAS made up the difference by giving producers imported fuel oil.

CONSUMPTION PATTERNS AND CONSERVATION

15. (SBU) Omran noted that the consumption of electricity grew exponentially amongst the poor and middle classes as the price of air conditioning units fell in the local market in recent years. The price of electricity per kilowatt is low for most residential users, despite annual increases of 7% over the last three years, but prices vary substantially depending on whether the consumer is a residential, industrial or commercial user. (NOTE: Only residential users who consume less than 200 kilowatts per month are eligible for subsidized rates. END NOTE.) The ministry and the World Bank are reviewing the price structure for electricity and considering different tariffs for peak vs. off-peak hours and for different seasons. Minister Younes announced on September 14 that the GOE planned to establish an agency and a national strategy to rationalize the use of energy and devise conservation strategies. The agency will report to the cabinet.

16. (SBU) COMMENT: Although gas production is expected to

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grow over the next decade with the advent of new on- and off-shore fields, it is likely that the GOE will need to import natural gas or more refined petroleum products like fuel oil within the next five years, in order to ensure sufficient electricity generation. (See refs A, B and C.) The use of imported gas or fuel will drive up production costs substantially if the GOE passes on these costs to electricity generators and distributors. Demand is expected to keep growing in Egypt as the population grows and economic growth remains high. Also contributing to the growth in demand is an increase in consumer credit for items such as air conditioning units.

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